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The KSA Perspective
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Retail profile for fiscal 1990

A difficult year for profits as sales growth slows and costs rise; almost one of three in red

Retailing was not a profitable place to be in 1990. Total sales for public companies in this year's Profile* advanced by only 9% over 1989, to $248.6 billion, after years of double-digit increases. Squeezed by rising costs in all areas and heavy markdowns to counter sluggish consumer purchasing, dollar profits for the group declined by 10%, to $7 billion. It was the first time in the last five years that these companies failed to improve their total earnings on a year-to-year basis.

Heavy losses by some large companies skewed the Profile's composite results. By themselves, four firms (*Ames, Hills, Horn & Hardart,* and *Child World*) lost a total of almost $1.4 billion — one-half of 1% of sales. Composite net income slid to 2.3% of sales, versus 3% in 1989, and the Profile's return on equity sank from 15% in that year to 11.5% in 1990. Mediocre ratios were pervasive; gross profit for the Profile was under 29% for the first time, and operating earnings were down to 4.2%. One-time write-offs rose to a record $1.3 billion.

* *Due to late filing of some annual reports, and an early printing deadline, this Perspective summarizes the results of only 85 companies. However, the complete Profile is expected to cover over 90 reports, as usual, when it is issued next month.*

Earnings Down for Most.

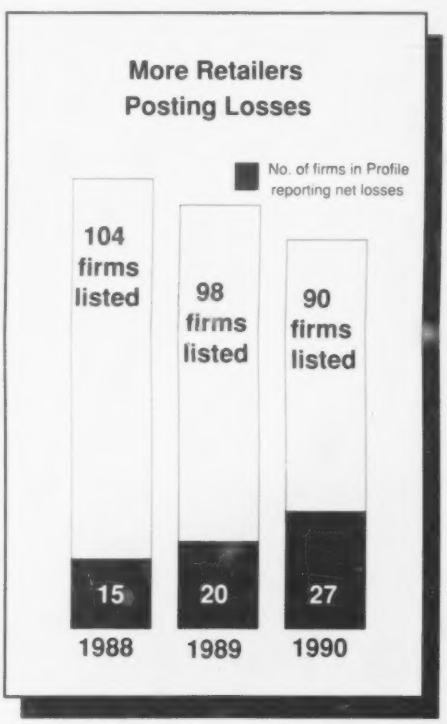
As always, of course, some firms went ahead in both sales and profits. But their number was fewer last year, and their gains smaller. The converse tells the real story about 1990: most public retail companies (52 of 90) made less money last year than the year before (or lost more), and in many cases the declines were steep.

This suggests that a few large winners are further consolidating their dominant positions.

One out of 3.3 companies in this year's Profile lost money; in fiscal 1989 the ratio was one out of five; the year before that there was one loser for every 6.7 companies listed. Clearly, it is becoming more difficult to stay afloat, let alone grow, in retailing these days.

It is tempting to blame the recession for these misfortunes, but that is only a partial explanation. Among the 13 companies that closed their fiscal years by August of 1990, before the recession began, eight increased their profits while five had declines — hardly overwhelming evidence to support that argument. While the recession certainly took its toll in 1990, and has continued to drag down retail performances so far this year, we feel there are also long-term trends at work — problems that will still plague a vulnerable quarter or third of the retail industry, even after the recession ends and consumer buying picks up.

Although there is widespread acknowledgement that overcapacity is a major problem, the retail industry con-



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Retail Sales and Earnings

SALES RANK 1990	SALES RANK 1989	Company	Sales ($000)	Net Income ($000)	SALES RANK 1990	SALES RANK 1989	Company	Sales ($000)	Net Income ($000)
1	3	Wal-Mart Stores 01/90-G	32,623,956	1,291,024	24	25	U.S. Shoe Corp. 01/91-S	2,718,666	–31,283
2	1	K Mart Corp. 01/91-G	32,070,000	756,000	25	27	Fred Meyer 01/91-G	2,476,055	33,583
3	2	Sears Merchandise Group 12/90-D	28,958,800	257,400	26	28	The T.J.X. Companies 01/91-S	2,446,279	74,128
4	4	J.C. Penney 01/91-D	16,365,000	577,000	27	26	Mercantile Stores Co. 01/91-D	2,367,210	123,614
5	5	Dayton Hudson Corp. 01/91-G	14,739,000	412,000	28	31	Hill's Department Stores 01/91-G	2,140,868	–276,415
6	6	May Department Stores Co. 01/91-D	10,066,000	500,000	29	33	The Gap 01/91-S	1,933,780	144,522
7	7	Woolworth Corp. 01/91-S	9,789,000	317,000	30	34	Spiegel 12/90-S	1,785,265	61,522
8	8	Melville Corp. 12/90-S	8,686,765	385,261	31	32	Brown Group 01/91-S	1,763,767	31,775
9	9	Macy's 07/90-P	7,266,772	–215,278	32	36	The Neiman Marcus Group 07/90-S	1,688,611	28,239
10	14	Toys R Us 01/91-H	5,510,001	325,988	33	35	Rose's Stores 01/91-G	1,502,030	–27,761
11	11	The Price Company 08/90-G	5,286,463	125,383	34	39	Hechinger Company 01/91-H	1,392,198	23,259
12	15	The Limited 01/91-S	5,253,509	398,438	35	37	Hartmarx Corp. 11/90-S	1,295,840	–61,545
13	10	Montgomery Ward 12/90-P	5,128,000	153,000	36	38	Petrie Stores Corp. 01/91-S	1,281,845	2,996
14	12	Federated /Allied 01/91-P	4,575,861	–208,596	37	40	Edison Brothers Stores 01/91-S	1,253,600	59,000
15	14	Tandy Corp. 06/90-H	4,499,604	290,347	38	42	Strawbridge & Clothier 01/91-D	981,668	17,221
16	19	Costco Wholesale Corp. 08/90-G	4,059,636	49,197	39	44	Jamesway 01/91-G	913,349	–17,624
17	21	The Home Depot 01/91-H	3,815,356	163,428	40	46	Charming Shoppes 01/91-S	886,265	40,346
18	18	Dillard Department Stores 01/91-D	3,605,518	182,778	41	47	Family Dollar Stores 08/90-G	874,395	28,733
19	17	Service Merchandise 12/90-H	3,435,037	60,712	42	43	Highland Superstores 01/91-H	860,786	–11,770
20	13	Ames Department Stores 01/91-G	3,109,080	–793,459	43	45	Child World 01/91-H	829,419	–192,320
21	23	Nordstrom 01/91-S	2,893,904	115,816	44	41	Grossman's 12/90-H	812,485	–3,873
22	20	Carter Hawley Hale 07/90-D	2,857,819	–25,970	45	48	Ross Stores 01/91-S	798,350	16,645
23	24	Lowe's Companies 01/91-H	2,833,108	71,087	46	55	Burlington Coat Factory 06/90-S	789,989	24,035

+ Unavailable; § Operating Earnings; C = Conglomerate/Multi-Industry (retail sales only); D = Dept. Store; G = General Merchandise Discounter; H = Hard Lines Specialty Store; P = Privately Owned; S = Soft Lines Specialty Store

tinues to expand. (Last year, despite the poor results, capital expenditures rose to 4% of total Profile sales, up from 3.5% and 3.2% in the two previous years. It wasn't all invested in new information technology.)

Retailing has come to resemble a gigantic game of musical chairs, with just so many viable places to sit and do business. To avoid being left standing without a chair in this more competitive game, retailers must stand for something in customers' eyes: price/value, unique merchandise, or superior service. Not all retailers have learned how to do that yet, and they will remain among the vulnerable.

Operating close-to-the vest in a recession has its pluses. The 1990 Profile showed inventories under greater control. They jumped to 33% of assets in 1989, but were down to 32% last year . . . The composite collection period was down to 45.8 days in fiscal 1990, marking a steady decline from 51.7 days in 1986. This could be a mixed blessing: more working capital for cash-strapped stores, but also less profit from credit operations.

Another persistent problem is markdown promotions. Mediocre gross profits are a sign of this. Only the niche players (*Blair, Blockbuster, Claire's, Duty Free,* etc.) seem able to maintain a profitable mark-up structure — and their financial results show it. A third is uncontrolled operating costs. Productivity remains a lost art among most retailers, particularly sales productivity in existing stores. Improving it must be made a top priority in today's slow growth environment.

These and other weaknesses, not always obvious in an annual report, are putting more of the industry into the red.

Sector Results: Department Stores.

The 12 department store companies had the worst time of it in 1990. The group's sales climbed only 2.5% over 1989, barely covering price inflation . . . *Dillard's* was the stand-out in this sector, adding $600 million, or 18%, in sales, and bringing its profits up to 5%. *May Dept. Stores* was a whisker behind . . .Gross profits for the group dropped below 31%, with only *Alexander's* able to improve

Retail Sales and Earnings

SALES RANK 1990	SALES RANK 1989	Company	Sales ($000)	Net Income ($000)
47	50	Consolidated Stores 01/91-G	679,303	4,545
48	49	Dollar General Corp. 01/91-G	653,151	14,616
49	56	Merry-Go-Round 01/91-S	628,127	37,496
50	53	Pier 1 Imports 02/91-H	608,793	6,565
51	51	Lands' End 01/91-S	603,975	14,743
52	+	Blockbuster Entertainment Corp. 12/90-H	597,292	68,654
53	52	Horn & Hardart Company 12/90-S	555,770	–115,911
54	54	Best Buy Company 03/90-H	512,850	5,683
55	59	Blair Corp. 12/90-S	478,341	37,731
56	58	Alexander's 07/90-D	460,224	–3,949
57	64	Tiffany & Company 01/91-H	455,712	36,661
58	60	The Lionel Corp. 01/91-H	426,412	–5,930
59	62	J. Baker 01/91-S	421,442	7,391
60	63	Jacobson Stores 01/91-D	394,009	2,365
61	65	House of Fabrics 01/91-S	393,495	13,831
62	66	Hancock Fabrics 01/91-S	386,882	28,105
63	67	Fabri-Centers of America 01/91-S	385,639	11,224
64	72	Michaels Stores 01/91-H	362,028	5,855
65	+	Trans World Music Corp. 01/91-H	356,564	14,481
66	68	Oshman's Sporting Goods 01/91-H	318,100	–4,084
67	70	Syms Corp. 12/90-S	314,430	14,111
68	73	Brendle's 01/91-H	311,001	1,242
69	87	The Good Guys 09/90-H	293,967	7,368
70	79	Gottschalks 01/91-D	287,455	6,428
71	74	Dress Barn 07/90-S	283,592	14,379
72	81	C.M.L. Group 07/90-S	278,815	–12,918
73	89	Claire's Stores 01/91-H	255,199	20,453
74	78	Gantos 01/91-S	254,659	–12,792
75	82	Haverty's Furniture Cos. 12/90-H	250,448	6,431
76	80	Paul Harris Stores 01/91-S	230,543	–30,546
77	75	The Cato Corp. 01/91-S	230,308	–9,990
78	83	Sprouse Reitz Stores 01/91-G	223,890	–4,378
79	85	Genesco 01/91-C	218,949	6,732 §
80	84	L. Luna & Son 01/91-H	213,756	1,082
81	86	Deb Shops 01/91-S	212,258	13,573
82	90	Clothestime 01/91-S	209,020	78
83	88	Zions Cooperative 01/91-D	205,079	522
84	77	J.G. Industries 01/91-H	201,809	510
85	91	Audio-Video Affiliates 01/91-H	163,653	–1,857
86	+	Greenman Bros. 01/91-H	144,021	–14,602
87	93	Crowley, Milner & Company 01/91-D	112,320	–2,635
88	96	Duty Free International 01/91-H	105,002	14,593
89	97	Frederick's of Hollywood 08/90-S	98,573	4,242
90	95	Banyan Corp. 05/90-S	61,848	–31,575
		Sales Total:	$266,059,613	

Where previous year's figures have been restated by a company, they are not reflected in the Profile.
Company totals shown in this list may include some non-retail sales, as in the case of Hartmarx, Brown Group, US Shoe, etc.

upon its 1989 ratio. Coupled with a rise of two points in SG&A, that left a composite operating earnings of only 1.45%. *Sears* and *Penney* were responsible for almost all of the group's $1.95 billion drop on this line.

Narrower margins and rising costs damaged department stores the most. They spent 29 5 cents of every sales dollar on selling, general, and administrative. It was 27.5 cents for soft lines specialty stores, 25 cents for hard lines specialists, and 18.5 cents for discounters . . . The sector did manage to maintain its profitable 134-day collection period.

General Merchandise Discounters.

With $101 billion in sales last year, the 14 discounters represent over 40% of this Retail Profile. Once past the size issue, however, the discount group's performance was rather tame. Even when the troubled *Ames* and *Hills* reports are excluded, the sector's composites are ordinary.

Individual company performances ranged widely, however, with the *Price* and *Costco* warehouse clubs at the bare-bones end (9% gross profits and 8% SG&A), and *Consolidated* and *Family Dollar* at the other (38% and 30%.)

And then there is *Wal-Mart*. The Bentonville Behemoth rolled right along in 1990, although profits edged down a trifle. With 13% more units, it is expanding geographically, and its capital expenditures rose to 4.2% of sales last

Company Medians

	$ Sales (Mil.)	% ROS	% ROE	GM ROI
Retail (90)	653,151	2.10	10.27	1.42
Dept. Stores (12)	2,367,210	1.80	10.53	1.90
Discounters (14)	2,476,055	1.36	14.04	1.25
Soft Lines Specty. (33)	789,989	3.03	13.52	1.85
Hard Lines Specty. (26)	426,412	1.77	7.94	1.29

Retail Performance Profile — Fiscal 1990

COMPANY	RETURN ON SALES %	90	89	GROSS PROFIT %	90	89	OPERATING EARNINGS %	90	89	RETURN ON INVESTED CAPITAL %	90	89	RETURN ON INVENTORY %	90	89	GROSS PROFIT ON INVENTORY 90	89	INVENTORY TURNS 90	89	RETURN ON TOTAL ASSETS %	90	89	TOTAL DEBT TO ASSETS 90	89
ALEXANDER'S 07/90-D	-0.86	66	+	26.56	64	70	-0.21	71	79	-2.59	66	+	-7.76	76	86	2.40	18	15	6.82	6	7	-1.98	66	+	0.48	55	52
AMES DEPARTMENT STORES 01/91-G	-13.19	↔	79	18.04	83	77	-11.62	84	82	224.77	↔	79	-74.21	85	83	1.82	76	78	2.99	61	46	-49.52	↔	78	1.27	2	5
AUDIO VIDEO AFFILIATES 01/91-H	1.78	↔	74	27.67	57	66	3.42	49	83	-7.88	↔	77	6.65	55	79	1.03	74	80	2.71	67	69	-2.83	↔	74	0.64	29	38
BANYAN CORPORATION 05/90-S	-11.87	↔	76	36.81	25	20	-17.48	85	85	-947.34	↔	74	-66.97	84	81	2.08	25	31	2.68	68	57	-131.43	↔	75	0.87	7	66
BEST BUY COMPANY 03/90-H	1.11	54	64	23.47	72	80	2.56	56	66	5.61	47	63	6.11	56	71	1.29	57	67	4.03	38	40	3.62	46	63	0.58	40	35
BLAIR CORPORATION 12/90-S	7.89	5	11	51.75	3	5	9.09	13	32	29.03	2	4	74.20	3	7	4.87	2	2	4.49	26	33	19.40	1	6	0.33	79	78
BLOCKBUSTER ENTERTAINMENT CORP 12/90-H	11.49	2	2	84.61	1	1	14.05	3	3	14.18	17	22	188.36	1	1	13.87	1	1	2.79	65	71	11.29	13	16	0.48	55	50
BRENDLE'S INC 01/91-H	0.40	59	57	24.87	71	76	2.26	60	56	1.57	57	54	1.20	65	62	0.75	84	82	2.53	71	65	0.75	59	55	0.58	40	54
BROWN GROUP 01/91-S	1.80	44	52	38.06	19	27	3.55	48	55	6.84	43	44	8.76	47	55	1.85	33	27	3.16	57	49	4.31	42	45	0.54	46	46
BURLINGTON COAT FACTORY 06/90-S	3.04	31	27	32.87	36	40	3.81	46	43	7.66	40	31	8.71	49	56	0.94	79	86	2.13	76	84	5.74	36	35	0.48	55	73
CARTER HAWLEY HALE 07/90-D	-0.33	64	65	27.03	61	63	5.42	35	35	-1.82	64	66	-1.72	68	72	1.40	52	56	3.75	43	45	-1.27	65	66	1.09	4	1
THE CATO CORPORATION 01/91-S	-1.95	↔	73	28.36	55	62	-3.94	81	84	-20.22	↔	76	-18.25	79	80	2.65	14	10	6.66	9	9	-11.98	↔	77	0.76	9	14
CHARMING SHOPPES, INC. 01/91-S	4.55	18	24	29.41	51	57	6.33	27	38	12.04	27	24	26.02	16	23	1.68	43	44	4.26	31	24	7.68	24	26	0.43	66	64
CHILD WORLD, INC. 01/91-H	-8.67	↔	61	22.21	78	59	-6.98	83	60	-476.50	↔	61	-38.41	82	67	1.01	77	74	3.21	53	67	-41.27	↔	64	0.96	6	56
CLAIRE'S STORES, INC. 01/91-H	8.01	4	3	49.38	6	6	13.91	4	1	19.94	5	1	56.84	7	3	3.50	8	5	4.22	33	22	15.25	3	1	0.45	64	54
THE CLOTHESTIME, INC. 01/91-S	0.04	62	66	40.93	14	14	0.46	68	75	0.19	63	65	0.40	66	70	4.44	3	3	6.15	11	12	0.11	63	65	0.40	72	75
CNL GROUP 07/90-S	5.00	↔	↔	54.16	2	2	11.58	8	14	-9.70	↔	↔	34.02	10	9	3.68	5	8	3.09	60	77	-7.53	↔	↔	0.85	8	6
CONSOLIDATED STORES 01/91-G	0.67	56	↔	38.14	18	17	2.24	61	67	2.27	54	↔	2.83	61	60	1.61	45	48	2.63	69	70	1.58	54	↔	0.48	55	43
COSTCO WHOLESALE CORP. 08/90-G	1.21	53	58	8.91	84	85	0.65	66	77	10.51	28	44	15.34	33	47	1.13	69	74	13.27	2	2	6.00	33	48	0.52	49	28
CROMLEY, MILNER & COMPANY 01/91-D	-2.35	71	69	35.76	27	22	-1.60	75	69	-8.92	71	68	-22.25	80	74	3.39	9	18	4.62	23	42	-6.53	71	68	0.61	35	28
DAYTON HUDSON CORP 01/91-G	2.78	34	37	25.23	69	73	8.41	16	21	7.16	41	32	20.34	26	30	1.84	34	36	5.74	12	11	4.83	40	36	0.76	9	9
DEB SHOPS 01/91-S	6.39	10	4	27.41	58	52	8.46	15	6	13.71	18	10	42.36	9	5	1.82	35	28	4.97	19	17	11.74	9	5	0.16	85	86
DILLARD DEPARTMENT STORES, INC 01/91-D	5.07	14	21	33.81	32	35	6.92	24	29	8.18	38	42	20.55	24	32	1.37	54	55	2.97	63	52	6.08	31	37	0.55	45	38
DOLLAR GENERAL CORP 01/91-G	2.24	41	49	28.69	54	54	4.29	41	47	9.69	29	39	9.44	45	57	1.21	66	61	3.16	56	64	7.04	28	32	0.37	77	75
DRESS BARN INC 07/90-S	5.07	14	7	37.92	21	19	7.13	22	11	15.43	13	3	30.21	15	8	2.26	21	13	4.17	34	25	11.46	11	2	0.26	81	84
DUTY FREE INTERNATIONAL 01/91-H	13.90	1	1	50.92	4	4	15.24	1	4	13.13	20	28	78.66	2	2	2.88	11	7	3.36	49	35	11.72	10	22	0.20	84	85
EDISON BROTHERS STORES 01/91-S	4.71	17	14	31.57	40	30	8.58	14	15	12.08	26	13	25.43	19	15	1.71	42	28	4.08	36	34	8.04	21	15	0.53	47	41
FABRI-CENTERS OF AMERICA, INC. 01/91-S	2.91	33	42	44.75	13	13	5.66	32	42	8.70	34	38	7.97	53	59	1.23	64	56	1.71	81	80	5.48	37	39	0.62	32	35
FAMILY DOLLAR STORES 08/90-G	3.29	29	40	34.25	30	36	4.65	39	50	14.58	15	25	12.00	40	51	1.25	62	63	2.54	70	68	8.09	20	30	0.45	64	61
FREDERICK'S OF HOLLYWOOD 08/90-S	4.30	20	31	46.91	9	11	7.14	21	36	18.55	8	16	32.96	11	16	3.59	6	6	4.63	22	19	12.11	7	17	0.38	76	75
FRED MEYER 01/91-G	1.36	52	↔	29.96	49	55	2.73	54	65	6.11	45	↔	8.88	46	48	1.96	28	38	4.61	24	27	3.71	44	↔	0.69	17	16
GANTOS INC 01/91-S	-7.88	+	39	19.55	81	60	-6.03	82	48	-14.18	+	40	-57.12	83	35	1.42	49	42	5.48	13	15	-9.34	+	41	0.71	15	32
THE GAP 01/91-S	7.47	7	12	35.81	26	34	12.33	6	10	30.70	1	2	58.40	6	11	2.80	12	20	5.06	16	21	18.60	2	4	0.40	72	71
THE GOOD GUYS 09/90-H	2.51	36	48	26.88	62	68	4.30	40	53	15.45	12	26	20.39	25	40	2.19	22	24	7.00	5	9	9.68	17	25	0.40	72	61
GOTTSCHALKS, INC. 01/91-D	2.24	41	54	31.97	38	41	3.14	51	62	6.41	44	57	12.30	39	52	1.76	41	23	4.38	30	23	3.09	48	57	0.72	14	14
GREENMAN BROS. 01/91-H	-1.07	↔	60	20.60	80	37	0.81	65	59	-26.50	↔	59	-5.39	73	64	1.04	73	52	2.40	72	56	-16.63	↔	58	0.50	52	43
GROSSMAN'S 12/90-H	-0.48	65	53	26.27	65	67	-0.02	69	64	-2.25	65	43	-3.26	69	44	1.79	38	22	4.75	21	15	-1.22	64	44	0.66	25	21
HANCOCK FABRICS, INC. 01/91-S	7.26	8	8	46.53	10	8	12.25	7	7	21.79	3	7	17.64	31	34	1.13	69	68	1.37	54	85	14.33	4	7	0.52	49	49
HARTMARX CORP. 11/90-S	1.24	↔	56	37.78	22	18	-0.20	70	58	-11.85	↔	60	3.92	58	63	1.20	67	72	1.82	77	79	-8.08	↔	59	0.62	32	30
HAVERTY FURNITURE COMPANIES 12/90-H	2.57	35	33	47.12	8	8	3.89	45	57	3.99	50	53	12.75	37	36	2.34	20	16	2.79	65	62	3.08	49	51	0.61	35	30
HECHINGER COMPANY 01/91-H	1.67	49	44	25.45	68	71	2.89	53	52	3.83	52	49	8.57	51	46	1.31	56	65	3.83	41	38	2.93	50	47	0.67	59	54
HIGHLAND SUPERSTORES, INC. 01/91-H	-1.37	67	↔	30.65	47	43	-0.97	74	74	-5.06	69	↔	-7.30	74	68	1.64	44	46	3.51	45	51	-3.26	69	↔	0.49	17	21
HILLS DEPARTMENT STORES, INC. 01/91-G	-2.33	↔	67	27.12	59	58	3.16	50	44	-37.80	↔	67	-22.76	81	73	2.65	14	49	5.13	15	26	-35.66	↔	67	1.30	1	3
THE HOME DEPOT 01/91-H	4.28	21	30	27.89	56	64	6.96	23	30	13.46	19	21	32.11	12	19	2.09	24	31	6.18	10	10	9.97	16	21	0.58	40	41
HORN & HARDART COMPANY 12/90-S	-0.38	↔	75	39.10	17	84	2.68	55	70	-168.48	↔	73	-3.62	70	84	3.69	6	47	6.69	8	3	-49.68	↔	72	1.26	3	4
HOUSE OF FABRICS 01/91-S	3.51	27	36	50.20	5	3	6.49	25	39	12.10	25	37	8.65	50	58	1.24	63	58	1.32	85	86	6.51	29	38	0.51	51	71
JACOBSON STORES 01/91-D	0.60	57	38	33.61	34	29	2.95	52	31	1.25	60	50	3.21	59	42	1.80	37	40	3.37	48	50	0.98	57	46	0.65	28	18
JAMESWAY 01/91-G	-3.57	+	62	26.63	63	61	-2.14	78	63	-7.99	+	62	-16.97	78	66	1.27	60	64	3.35	50	60	-5.10	+	61	0.67	22	24

J. BAKER, INC. 01/91-S	1.75	47	34	36.93	23	24	5.12	37	26	3.90	51	36	4.73	57	54	1.00	78	72	1.80	79	74	2.61	53	40	0.67	22	21
J C PENNEY 01/91-D	3.53	26	19	32.97	35	32	2.43	59	19	7.66	39	27	21.72	22	18	2.03	26	21	4.16	35	29	4.68	41	34	0.64	29	18
JG INDUSTRIES, INC. 01/91-H	-0.27	63	78	40.01	16	16	0.63	67	81	1.35	59	78	-1.61	67	85	2.35	19	17	3.19	54	63	0.65	60	79	0.68	20	10
K MART CORP 01/91-G	2.36	40	↔	25.49	67	69	3.63	47	51	8.71	33	↔	10.97	41	43	1.19	68	69	3.46	47	47	5.44	38	↔	0.61	35	26
LANDS' END, INC. 01/91-S	2.44	38	17	40.84	15	15	4.06	43	22	12.27	23	5	19.96	28	13	3.34	10	12	4.48	27	37	7.95	22	3	0.37	77	79
THE LIMITED, INC. 01/91-S	7.58	6	9	31.04	42	46	13.28	5	5	18.97	6	8	68.09	4	4	2.79	13	9	6.79	7	6	13.87	5	8	0.46	62	51
THE LIONEL CORPORATION 01/91-H	-1.39	69	63	25.74	66	72	-1.85	76	71	-3.84	67	69	-4.41	71	75	0.82	81	83	2.32	73	73	-2.49	67	69	0.66	25	24
L LURIA & SON 01/91-H	0.51	58	55	29.30	52	51	1.16	64	61	1.38	58	51	1.21	64	65	0.70	85	85	1.72	80	78	0.82	58	53	0.42	70	66
LOWE'S COMPANIES, INC. 01/91-H	2.51	36	41	22.99	76	81	5.13	36	40	8.44	36	35	15.43	32	33	1.61	50	53	5.02	17	14	5.91	35	31	0.43	66	64
MAY DEPARTMENT STORES COMPANY 01/91-D	4.97	16	16	30.68	46	45	10.35	11	12	8.28	37	33	30.71	14	12	1.90	31	30	4.47	28	39	6.03	32	33	0.70	16	13
MELVILLE CORP 12/90-S	4.44	19	18	36.86	24	23	7.65	19	20	16.89	10	11	23.26	20	17	1.93	29	19	3.73	44	43	10.52	14	10	0.49	53	54
MERCANTILE STORES CO., INC. 01/91-D	5.22	13	15	29.43	50	49	7.15	20	17	8.94	31	29	31.43	13	14	1.77	40	37	4.25	32	31	7.74	23	23	0.26	81	81
MERRY-GO-ROUND 01/91-S	5.97	11	23	32.10	37	48	9.54	12	24	20.09	4	14	65.38	5	6	3.52	7	4	8.91	3	4	13.84	6	13	0.42	70	66
MICHAELS STORES, INC. 01/91-H	1.62	51	70	31.87	39	38	5.44	34	45	5.81	46	70	7.38	54	76	1.45	47	70	2.98	62	72	4.06	43	70	0.68	20	10
THE NEIMAN MARCUS GROUP, INC. 07/90-S	1.67	49	51	31.01	43	50	5.92	31	41	4.20	49	56	10.26	44	50	1.90	31	38	4.45	29	30	2.75	51	54	0.69	17	20
NORDSTROM 01/91-S	4.00	24	25	30.88	44	44	5.04	38	34	8.87	32	30	25.83	17	20	1.99	27	34	4.61	24	28	6.09	28	29	0.57	44	35
OSHMAN'S SPORTING GOODS, INC. 01/91-H	-1.38	68	71	34.94	28	31	-0.82	73	76	-4.81	68	71	-5.05	72	77	1.28	59	70	2.20	74	74	-2.85	68	71	0.47	59	54
PETRIE STORES CORP. 01/90-S	0.23	61	43	25.16	70	65	1.52	62	49	0.39	62	55	2.30	62	25	2.48	17	10	7.55	4	5	0.34	62	52	0.28	80	82
PIER 1 IMPORTS, INC. 02/91-H	1.08	55	20	34.65	29	25	4.01	44	16	2.20	55	34	3.21	59	38	1.03	74	62	2.20	74	76	1.44	55	27	0.66	25	52
THE PRICE COMPANY 08/90-G	2.37	39	45	8.86	85	86	1.39	63	72	15.48	11	18	47.82	8	10	1.79	38	45	18.59	1	1	10.36	15	18	0.49	53	46
ROSE'S STORES 01/91-G	-2.98	+	63	18.84	82	83	-0.21	71	68	-10.16	+	58	-12.92	77	69	0.82	81	83	3.27	52	54	-6.09	+	60	0.64	29	32
ROSS STORES 01/91-S	2.08	43	29	27.10	60	56	4.09	42	25	9.21	30	12	10.54	43	29	1.37	54	46	4.05	37	31	5.38	39	14	0.60	38	34
SEARS MERCHANDISE GROUP 12/90-D	1.80	44	46	30.31	48	46	-3.89	80	80	1.82	56	52	12.81	36	41	2.15	23	26	4.79	20	20	1.01	56	56	0.75	11	7
SERVICE MERCHANDISE 12/90-H	1.77	46	47	23.46	73	79	6.40	26	37	7.13	42	41	8.12	52	53	1.08	72	79	3.48	46	48	3.67	45	48	0.98	5	2
SPIEGEL, INC. 12/90-S	3.45	28	22	34.22	31	28	-1.92	77	73	4.78	48	46	18.30	30	21	1.82	35	24	3.88	39	35	3.53	47	42	0.74	12	12
SPROUSE REITZ STORES, INC. 01/91-G	-1.96	70	72	23.16	75	75	-2.55	79	78	-6.93	70	72	-7.66	75	78	0.91	80	81	2.86	64	66	-5.13	70	72	0.39	75	74
STRAWBRIDGE & CLOTHIER 01/91-D	1.75	47	35	22.79	77	74	5.57	33	23	3.72	53	48	12.40	38	31	1.61	45	42	5.45	14	13	2.67	52	43	0.62	32	26
SYMS CORP 12/90-S	4.11	22	13	31.44	41	39	7.94	18	13	8.62	35	23	18.38	29	22	1.41	50	50	3.18	55	57	7.11	26	20	0.24	83	83
TANDY CORP 06/90-H	6.45	9	6	45.05	12	10	10.66	9	8	14.69	14	17	20.00	27	26	1.40	52	50	1.81	78	82	8.96	19	12	0.47	59	79
TIFFANY & COMPANY 01/91-H	8.04	3	5	49.07	7	7	14.88	2	2	18.86	7	6	21.07	23	28	1.29	57	59	1.47	83	83	11.93	8	9	0.43	66	66
THE TJX COMPANIES 01/91-S	3.03	32	↔	23.33	74	78	6.10	28	28	12.80	22	↔	14.42	35	39	1.11	71	74	3.83	61	64	7.08	27	↔	0.74	12	7
TOYS R US 01/91-H	5.92	12	10	29.22	53	53	10.62	10	9	14.56	16	15	25.56	18	24	1.26	61	66	3.11	59	61	9.10	18	19	0.43	66	61
TRANS WORLD MUSIC CORP. 01/91-H	4.06	23	26	37.97	20	26	8.06	17	18	13.01	21	19	8.75	48	45	0.82	81	77	1.60	82	81	5.98	34	28	0.67	22	17
U.S. SHOE CORPORATION 01/91-S	1.89	↔	50	45.89	11	12	2.49	57	46	-4.21	↔	47	10.59	42	49	2.58	16	14	3.12	58	55	-2.53	↔	50	0.60	38	43
WAL-MART STORES 01/91-G	3.96	25	28	21.84	79	82	6.04	29	33	17.77	9	9	22.23	21	27	1.23	64	60	4.98	18	18	11.34	12	11	0.53	47	46
WOOLWORTH CORPORATION 01/91-S	3.24	30	32	30.86	45	42	6.01	30	27	12.15	24	19	15.16	34	37	1.44	48	54	3.34	51	52	7.36	25	23	0.46	62	54
ZIONS COOPERATIVE 01/91-D	0.25	60	58	33.76	33	33	2.48	58	54	0.54	61	64	1.46	63	61	1.93	29	35	3.88	39	41	0.42	61	62	0.58	40	38

+ Extraordinary gains exceed 1% of net sales
↔ Extraordinary losses exceed 1% of net sales

Inventory ratios are based on dollars of inventory at close of fiscal year per balance sheet

Noteworthy Performances

Return on Total Equity

		1990 %
1	The Gap	31.03
2	Hancock Fabrics	30.07
3	Blair Corp.	29.03
4	Claire's Stores	27.78
5	The T.J.X. Cos.	27.40
6	The Limited	25.54
7	Merry-Go-Round	24.06
7	Wal-Mart	24.06
9	Home Depot	23.91
10	Blockbuster Entertainment	21.81

Return on Net Operating Assets

		1990 %
1	The Gap	44.95
2	C.M.L. Group	36.45 *
3	Hancock Fabrics	34.78
4	Melville	33.95
5	Claire's Stores	33.88
6	Blair Corp.	32.32
7	Merry-Go-Round	31.09
8	The Limited	30.28
9	Tiffany	29.34
10	Frederick's of Hollywood	28.81

** Includes non-retailing operations.*

Gross Margin Return on Inventory

		1990
1	Blockbuster Entertainment	13.87
2	Blair Corp.	4.87
3	Clothestime	4.44
4	Horn & Hardart Co.	3.69
5	C.M.L. Group	3.68
6	Frederick's of Hollywood	3.59
7	Merry-Go-Round	3.52
8	Claire's Stores	3.50
9	Crowley Milner & Co.	3.39
10	Lands' End	3.34

year. Nevertheless, *Wal-Mart* watches its costs; *SG&A* remained below 16% of sales. Among its discounter competitors, only *Target* and *Rose's* had SG&A's under 20%; the entire Profile was at 24%.

Wal-Mart replaced *K Mart* as the largest retailer last year. The latter gained 8.6% in sales, but profits declined 21%.

Soft Lines Specialty Stores.

This sector is the largest in the Profile, with 33 firms, and it may offer the widest variety. It led the other groups in six composite ratios (see Industry Sector Results on page 7) and five of its members are among the Profile's top performers this year. It featured the highest return on assets, and the lowest leverage. Best of all, this sector had the lowest ratio of losers among its ranks — slightly more than one out of five.

On an 11.5% sales gain over 1989, the soft lines specialists were able to hold on to the same total of dollar profits (there was an actual drop of $79,000 on $1.9 billion.) As already seen, that was an achievement in 1990. Although gross profits declined slightly, SG&A and interest expenses were held under relatively tight control.

Among individual companies, *Blair* led the Profile in return on assets (19.4%) and was a top performer in five other ratios. The mail order specialist (formerly *New Process*) also led the soft lines group in profits, followed by *The Limited* and *The Gap*.

More Is Better . . . Maybe

Retailing's appetite for expansion continued unabated in 1990, despite the slowdown in consumer spending and a recession. An analysis of the 61 reports that provided data about number of stores in 1989 and 1990 showed that a total of 4,347 units were added in 1990. This was a 7.5% expansion over the 57,673 stores that the same companies operated in 1989. (The number is net, and includes instances where companies closed stores.) Sales for the entire Profile were up 9% in 1990 versus 1989.

The productivity of retail selling space, almost universally measured in dollars-per-square-foot, varied wildly in this year's Profile. Among the 42 companies whose reports provided that data, or where it could be calculated, sales per square foot ranged from a low of $60 (Sprouse Reitz) to a high of $1400 reported by Good Guys. The median was $173 per square foot. Fashion specialists like Nordstrom and Neiman-Marcus were in the $360-neighborhood. Considering its product mix and low price policy, Wal-Mart's $294 figure was both commendable and productive.

Industry Sector Results

Industry Sectors	No. of Firms Reported	Sales ($000)	Net Income ($000)	Return on Sales %	Gross Profit %	Operating Earnings %	Return on Capital %	Return on Inventory %	Gross Profit Return on Invty.	Invty Turns	Ret. on Total Assets %	Total Debt to Assets
Department Stores (D)												
1990	12	66,661,102	1,634,774	2.87	30.95	1.45	4.84	18.15	1.95	4.37	3.01	.70
1989 (FY '89 Profile: 12)	12	65,031,330	2,304,499	3.51	32.03	4.49	7.36	21.74	1.99	4.43	4.31	.71
General Merchandise Discounters (G)												
1990	14	101,351,176	1,595,444	2.14	22.75	4.25	6.38	12.34	1.31	4.56	3.90	.65
1989 (FY '89 Profile: 16)	14	90,584,962	1,760,958	2.73	23.61	4.69	8.23	14.75	1.27	4.54	4.94	.64
Soft Lines Specialty Stores (S)												
1990	33	51,062,609	1,620,613	3.80	33.90	6.36	9.60	20.42	1.82	3.75	6.31	.53
1989 (FY '89 Profile: 35)	33	45,800,101	1,734,989	4.24	34.58	7.22	11.41	22.85	1.86	3.74	7.56	.52
Hard Lines Specialty Stores (H)												
1990	26	29,564,601	889,963	3.48	31.72	6.73	8.55	15.59	1.42	3.16	5.36	.56
1989 (FY '89 Profile: 29)	26	26,744,621	1,103,025	4.18	32.01	7.50	11.62	18.13	1.39	3.15	7.74	.52
Industry Totals												
1990	85	248,639,488	5,740,794	2.84	28.30	4.23	6.67	15.95	1.59	4.14	4.18	.64
1989 (FY '89 Profile: 92)	85	228,161,014	6,903,471	3.43	29.20	5.47	8.92	18.64	1.59	4.14	5.46	.64

Hard Lines Specialty Stores.

The 26 companies in this sector earned 8% less profits last year, even though sales rose by 10.5%. Again, margin pressures and rising costs were the culprits. Return on sales for the group was 3.5%, down 0.7% from last year.

The best performer here was *Blockbuster Entertainment.* New to the Profile, the video rental chain's unusually high gross profit and return on inventory were due to the special nature of the rental business and its accounting interpretations. Nevertheless, the company is engaged in attracting and serving targeted consumers with timely products, just like other retailers.

The hard lines sector contains a lot more than electronics category killers and home centers, and it features some of the highest profit ratios in the Profile. *Duty Free, Claire's Stores,* and *Tiffany* all had gross profits of 49% and 50%.

The Complete Profile for Fiscal 1990

A full print-out covering fiscal years ending 1986 through 1990 is available for in-depth comparisons and study.

For each of the companies, as well as the industry segment composites and the total industry aggregate, the report contains a full financial statement, a balance sheet, and a comprehensive list of ratios.

It contains approximately 400 pages and is available from KSA at a cost of $500.

Classifications and Sectors

Companies have been included in KSA's Fiscal 1990 Retail Profile if they are publicly owned, derive half or more of their revenues from the retailing of personal and home consumer products (excluding food, drugs, and autos), and their annual reports for fiscal 1990 (years closing between March, 1990, and February, 1991) were available for analysis.

The KSA Retail Profile includes 85 companies whose fiscal 1990 results have been fully profiled to date, one multi-industry company (*Genesco*) whose retail volume was significant, but less than half of its total sales, and three privately held companies whose sales and earnings are included in the Sales & Earnings table on pages 2 and 3, but which do not appear elsewhere in the Profile.

Disclaimer

The information presented in this Performance Profile was obtained from available annual reports made by public companies to their stockholders and to the Securities and Exchange Commission. While we believe the information furnished to be reliable, no representations are made as to the accuracy thereof. Kurt Salmon Associates assumes no responsibility for any errors in the Performance Profile, whether of omission or commission.

Information presented herein is based solely on publicly available data; the confidentiality of KSA's client relationships has been maintained throughout. KSA's Financial Performance Profile is intended solely for the statistical information of the purchaser. It is not a representation, prospectus, or circular in respect of any stock or security of any corporation. The data and comments contained herein do not constitute investment advice in any form.

Composite Profit and Loss Data — Retail Industry

FISCAL PERIOD ENDING	1990		1989		1988		1987		1986	
	$	PCT	$	PCT	$	PCT	$	PCT	$	PCT
Net Sales	248639488	100.00	228161014	100.00	205688591	100.00	181629450	100.00	161910885	100.00
-Cost of Goods Sold	178266454	71.70	161540655	70.80	145754598	70.86	127824057	70.38	113138790	69.88
Gross Profit	70373034	28.30	66620359	29.20	59933993	29.14	53805393	29.62	48772095	30.12
-Sell. Gen. & Admin	59866338	24.08	54140035	23.73	49683825	24.15	43804201	24.12	39357201	24.31
Operating Earnings	10506696	4.23	12480324	5.47	10250168	4.98	10001192	5.51	9414894	5.81
-Interest Expense	4256303	1.71	4063746	1.78	3424640	1.66	2850569	1.57	2849757	1.76
Misc. Inc. or Exp.	4973776	2.00	3663929	1.61	3640453	1.77	2972540	1.64	2995051	1.85
Income Before Tax	11224169	4.51	12080507	5.29	10465981	5.09	10123163	5.57	9560188	5.90
- Income Tax	4165935	1.68	4263694	1.87	3819096	1.86	4110853	2.26	4470820	2.76
Income After Tax	7058234	2.84	7816813	3.43	6646885	3.23	6012310	3.31	5089368	3.14
Extraordinary Item	-1317440	-0.53	-913342	-0.40	151252	0.07	-150376	-0.08	82223	0.05
Net Income	5740794	2.31	6903471	3.03	6798137	3.31	5861934	3.23	5171591	3.19

FLOW OF FUNDS ANALYSIS					
Working Cap at Start	36697230	36645072	34996661	34059297	29748186
Net Income	5740794	6903471	6798137	5861934	5171591
Depreciation	4645380	4066900	3679199	3171264	2736285
Change in L-T Debt	4923992	1256083	5627821	2239720	2466938
Change in Deferred	2001418	-485012	20568	-96633	525692
Change in Pref Stk	71011	91917	213226	-202172	1627
Change in Common	1417589	1672962	-301183	324287	1774313
Dividends Paid	-2000801	-2377408	-1535765	-1367911	-1119465
Capital Expend	-9893218	-8000886	-6631567	-6506823	-5711866
Misc Assets Change	-1077929	-802758	-2772988	-408015	-480474
Misc Transactions	-2250814	-2186185	-3429935	-2078287	-1053530
Working Cap at End	40274652	36784156	36664174	34996661	34059297

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